HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Sudbury CMA

Canada Mortgage and Housing Corporation

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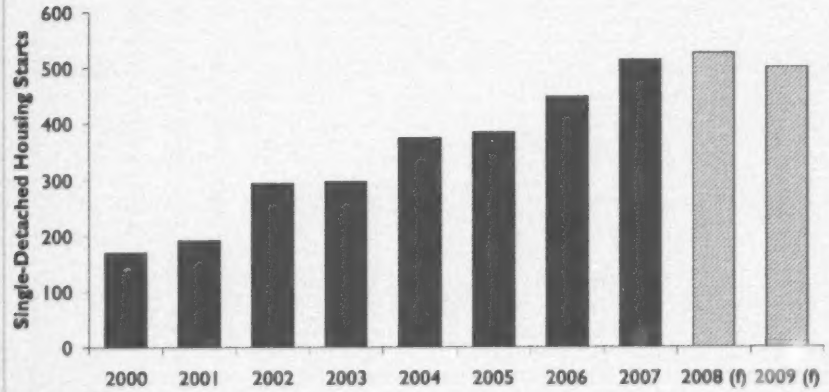
New Home Market

Sudbury Starts Continue Strong

The new housing market in the City of Greater Sudbury continues to grow. CMHC is forecasting 525 single-detached starts, 20 semi-detached units, forty apartment condominium ownership units , and 130 apartment rental units for a total of 715 Greater Sudbury starts in 2008. Starts will ease to 640 units in 2009 comprised of 500 single-detached homes, 20 semi-detached, 40 ownership apartment condominiums and 80 apartment rental units. Sustained employment growth and positive in-migration support another rise in single-detached starts this year. The hot resale market is another key

Figure 1

Sudbury Single-Detached Home Starts to Level Off



Source: CMHC

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reason for the relatively strong new residential construction sector. The resale market currently strongly favours sellers with strong price increases. The 514 single-detached starts in Greater Sudbury in 2007 was the highest level of starts witnessed since 1992 in the Greater Sudbury market. Singles starts are up 18 per cent after the first quarter this year and building permits, which foreshadow future housing activity are also ahead of last year's pace.

In-migration attracted by employment growth primarily in the Sudbury mining industry has been most instrumental in driving up demand for home ownership. The Sudbury mining industry is one of the oldest and most active in the world and continues to be the most important engine of economic activity in the city of Greater Sudbury.

The Statistics Canada New House Price Index for Sudbury-Thunder Bay is reflecting strong demand for land and labour associated with the recent housing boom. Flat for several years, the index jumped 4.3 per cent in 2007 and is up another 6.5 per cent in to the end of February. The strength in this index is indicative of the strength in the Greater Sudbury market more so than Thunder Bay where the market continues to be much quieter.

Resale Market

Sudbury Resale Market Eases

One can expect 2,600 existing home sales in 2008 in Greater Sudbury, a five per cent decline and a further drop in 2009 sales. The resale market currently strongly favours sellers with strong price increases. Rapidly escalating prices have outpaced income growth. This is beginning to take the edge off demand which will in turn affect new construction if this trend continues. Sales fell one half of one per cent in 2007. Year-to-date sales are off 11.3 per cent. Sales have now fallen for the last three consecutive quarters on a year-over-year basis.

Sellers' market conditions will continue to persist in Greater Sudbury despite slightly softening demand. New listings have also risen in the last two quarters although Sudbury's sales-to-new-listings ratio remains the highest in the province. Listings should end the year up five per cent. Year to date, new listings are up over ten per cent.

Average resale home prices rose 21.7 per cent year-over-year in the first quarter after a near record 21.3 per cent year-over-year per cent increase in 2007. The sales to new listings ratio should moderate implying slowing price increases, growing by ten per cent in 2008 and less than that in 2009.

A cross-section of neighbourhoods have been singled out for further analysis as has been our practice in recent reports. Submarket analysis continues to show widespread market strength in Greater Sudbury although only two of five analyzed have exhibited sales gains in the first quarter. Sales gains have been observed thus far in 2008 in Garson and Flour Mill-Donovan while Nickel Centre, Onaping Falls and Valley East have experienced sales decreases. All five continue to experience strong price growth.

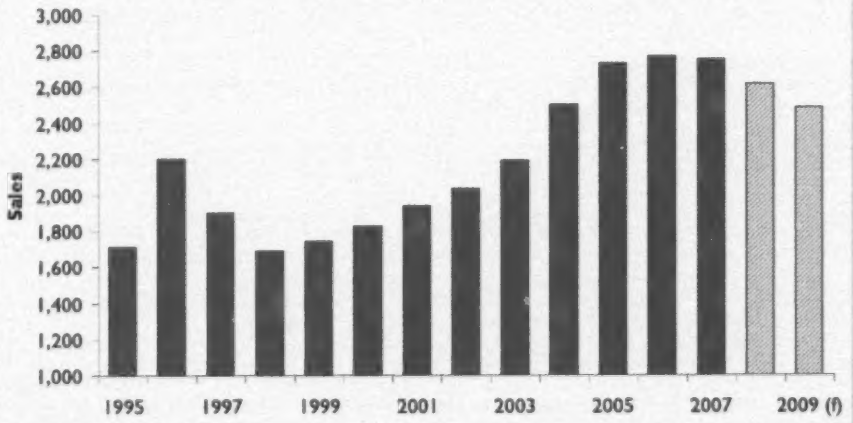
Economic Trends

Sudbury Employment Growth Will Slow Down in the Future

Employment growth in Greater Sudbury has slowed thus far in 2008

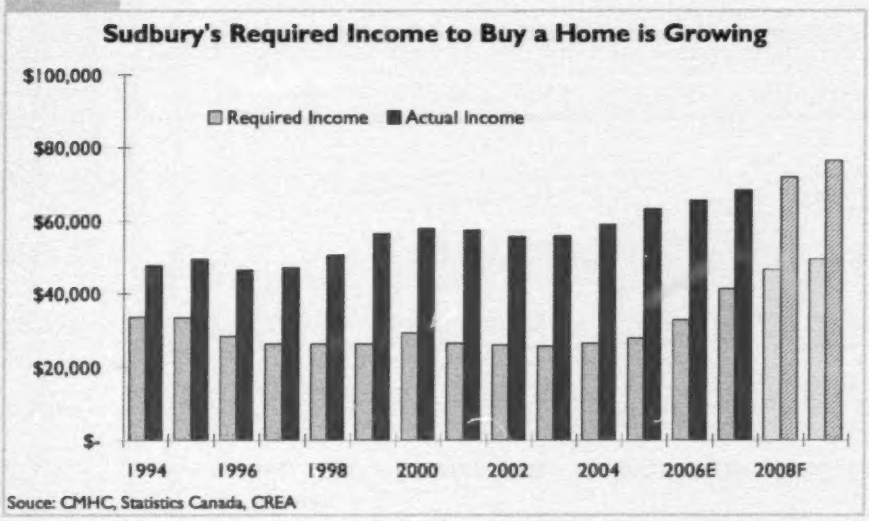
Figure 2

Sudbury Resale Market Sales Slightly Off 2006 Peak



Source: Sudbury REB, CMHC

Figure 3



Souce: CMHC, Statistics Canada, CREA

after an above average 3.9 per cent growth in employment in 2007. This growth rate in employment was three times the average rate over the last twelve years. The mining and mining supply sector continues to be the key to employment growth. CMHC expects gains of 1,200 jobs in 2008 and additional growth in 2009 providing the basis for healthy resale and new construction numbers. There are concerns regarding Sudbury's ability to attract skilled miners and mine supply industry workers in light of global demand for precious and base metals being so strong at present. This will continue to be a challenge in the upcoming years.

A trend being observed of late in most major markets in Northern Ontario is employment growth in the 45-64 age group and Sudbury is no different. But it is recent growth in employment levels in the 25-44 age bracket that is most exciting in Sudbury given the potential impact of these households headed by 25's to 44's. Elsewhere, the goods-producing sector has also shown increases in the last few years. Incomes in this sector are higher than average and help explain why Sudbury is challenging the Ontario average when it comes to monthly average weekly earnings.

Nickel prices remain very healthy despite some early year softening. Consequently, Sudbury's two nickel producers, Vale-Inco and Xstrata are in very profitable positions, and this has translated into higher incomes for employees, incomes which have allowed many to participate in this local housing boom. Nickel prices should remain healthy in 2008 but fall in 2009; even so, they will still remain above the historical average.

Other notable developments in the Greater Sudbury economy include the Regional Hospital construction, expansion in the local call centre industry and Laurentian University's Centre for Excellence in Mining.

Positive In-Migration to Sudbury for Four Years Running

For the fourth consecutive year, net migration figures released by Statistics Canada in September 2007, showed an inflow to Greater Sudbury. Sudbury's population grew by nearly 3,000 or 1.7 per cent between 2001 and 2006. Migration flows have been reversed. About 2900 people left Sudbury in 1998-99, but 519 arrived between 2004-05 and nearly 2,000 over the last four years, the majority coming from elsewhere in Northern Ontario. This reversal in fortunes was confirmed by the higher population numbers counted during the 2006 Census and ultimately has given people in the community increased optimism for the future. Net-migration numbers should remain in positive territory for the foreseeable future.

Figure 4

Mortgage Rates Will Remain Relatively Flat

Posted mortgage rates eased by about 50 basis points in the first four months of this year, although rates in late April were 30 to 35 basis points higher than they were 12 months prior. Mortgage rates are expected to trend marginally lower throughout 2008, but will be within 25-50 basis points of their current levels. For 2009, posted mortgage rates will begin to drift up slightly as the year progresses. For 2008 and 2009, the one-year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five-year posted mortgage rates are forecast to be in the 6.75-7.50 per cent range.

Forecast Summary
Greater Sudbury CMA
Spring 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	2,726	2,762	2,754	2,613	-5.1	2,483	-5.0
MLS® New Listings	4,074	3,989	3,834	3,790	-1.1	3,827	1.0
MLS® Average Price ($)	133,938	150,434	182,536	200,700	10.0	212,700	6.0
New Home Market							
Starts:							
Single-Detached	384	448	514	525	2.1	500	-4.8
Multiples	16	29	73	190	160.3	140	-26.3
Semi-Detached	12	18	28	20	-28.6	20	0.0
Row/Townhouse	4	11	37	0	n/a	0	n/a
Apartments	0	0	8	170	n/a	120	250.0
Starts - Total	400	477	587	715	21.8	640	-10.5
Average Price ($):							
Single-Detached	236,530	266,695	307,314	331,900	8.0	351,800	6.0
Median Price ($):							
Single-Detached	225,000	269,000	289,000	306,300	6.0	321,700	5.0
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	1.7	1.7	4.3	4.5	-	3.5	-
Rental Market							
October Vacancy Rate (%)	1.6	1.2	0.6	0.3	-0.3	0.2	-0.1
Two-bedroom Average Rent (October) ($)	668	706	749	779	-	810	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.40	6.83	-0.12
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.53	6.97	-0.04
Annual Employment Level	76,700	77,800	80,800	82,000	1	84,500	3
Employment Growth (%)	-2.6	2.5	3.6	1.5	-	3.0	-
Unemployment rate (%)	8.5	7.3	5.8	5.7	-	5.6	-
Net Migration [1]	519	836	500	500	0.0	500	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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